

How to use this calculator

1	Enter your numbers in shaded cells	
		The light yellow shaded cells are inputs that are easy to guess or easy to find (example : cost of the house, rent of a similar house)
		The grey shaded cells are difficult to guess. You can change them if you want or just leave the default values.
	2 The calculator will give you a "Buy" or "Rent" decision based on your numbers.	
	3 The calculator also gives the break even point for buying vs renting.	
	4 You can find the detailed breakdown of month-by-month cash flows in the 'Buy vs Rent detailed breakdown' tab	
	5 Change the number of years you plan to stay in the house to see how the decision changes.	
	6 The chart is a graphical representation of the cash flow for buying and renting. It also shows the breakeven point.	

Assumptions

1	The maximum mortgage length is 30 years. You can change this to longer but you have to add more rows and copy the formulae to the added rows.
2	You know whether you will use itemized or standard deduction for your taxes. As the itemized deduction is based on your state, charitable contributions and other local taxes, it is not incorporated by default. If you already take itemized deductions, go ahead and click itemized deductions for this calculation. If not, add up your state, local & property taxes, charitable contributions and other itemized deductions. If this number is close to your standard deduction, the mortgage interest will push you to the itemized deduction category. In any case, it is perfectly fine to do the whole calculation assuming the standard deduction, as you should not buy a house for tax deduction alone anyway.
3	PMI is calculated (if you didn't enter it manually) based on popular quotes 0.82% if downpayment is 5-10%, 0.52% for 10-15%, 0.32 for 15-20%
4	I have assumed that you will invest the money that you are not using for downpayment and also invest the balance between rent vs buy monthly cash flow. If you choose to spend that money, this calculator is of no use.
5	I have assumed that you will have closing cost expenses saved for separately and it is not rolled into the loan. v2 I will have this option to roll it into the loan.
6	I have also not accounted for the capital gains tax for the renter's investments/savings
7	I have included the PMI in the tax deduction amount. After Bush tax cuts expire, this particular deduction might not be available.

Graphical key:

Interest rate on your mortgage

Down payment you have saved.

Yellow and grey colored cell values can be changed. The yellow colored cells should be straightforward to guess. The grey cells are mostly wild guesses, so if you are not sure about the values, leave them as-is.

PMI if down payment <20% it will be automatically calculated if you don't know how much this is going to be.

Rent of a similar house.

Length of the mortgage

Property tax for the house

Rent increase every year

ROI on the cash you are saving

How long do you plan to stay at this house?

The usual selling cost (%) including broker commissions.

Tax Situation

Standard Deduction

Itemized Deduction

Do you plan to take standard or itemized deduction?

Should you buy or rent? – answer based on the numbers.

Break even point

Buying	
Purchase Price	\$500,000.00
Downpayment	\$50,000.00
Interest Rate	6%
Length of mortgage	30
Property tax rate	1.25%
Annual Home owner's insurance	\$0.00
Annual Association/Condo fees	\$0.00
Annual Maintenance \$	\$5,000.00
Private Mortgage Insurance	0.00%
Annual Appreciation (assumption, change if necessary)	3%
Marginal income tax rate (assumption, change if necessary)	25%
Inflation (assumption, change if necessary)	2%
Downpayment %	11.02
Closing Costs	\$30,000.00
Loan Amount	\$444,900.00
Income tax rate used for calculation	25.00%
payment	\$2,667.40

Renting	
Rent for a similar home	\$2,000.00
Inflation (assumption, change if necessary)	3%
Rent increase every year	4%

Buying Vs Renting	
See the scenario after (# of yrs)	8
Selling cost (%)	6%
Home Value after 8 years	\$635,434.23
Liability after 8 years	\$390,459.20
Equity after 8 years	\$244,935.03
Cost of selling the home	\$38,126.05
Net "walk away" cash in hand (assumes no capital gains) at the end of 8 years	\$206,808.98
Savings (from cash + interest)	\$205,441.06
Difference after 8 years	\$1,367.91
Present value of the difference	\$1,167.50
Break even point	and 10 months.
Better to	BUY

Cheat sheet on how to use the calculator